3 February 1955

This publication ceases in its present form with this issue.

Beginning next week it will be incorporated in a new weekly publication: The Current Intelligence Weekly Review.

NAVY review completed.

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State Dept. review completed

HUNTINGTON D. SHELDON Assistant Director, Current Intelligence This report is divided into two parts:

The first consists of items on situations where developments may occur in the near future.

The second part consists of status reports on other important situations where critical developments are not expected soon.

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CRITICAL SITUATIONS

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"Liberation" of Formosa Plans

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#### PART I

## MENDES' TENURE AT STAKE IN NORTH AFRICA DEBATE

The prospects are about even that the Mendes-France government will survive the North Africa debate which began in the French National Assembly on 2 February.

If Mendes-France's gestures to the Gaullist Social Republicans are successful in averting their defection, the attitude of the René Mayer faction of the Radical Socialist Party may decide the issue. Mayer is a bitter opponent of Mendes-France but is probably unwilling to precipitate a crisis before the Council of the Republic acts on the Paris accords.

Mendes-France's fall would not necessarily cause a disastrous delay in action by the council, which is now due before 11 March. Under French law, a crisis lasting longer than a week following the fall of a government permits a corresponding postponement of the deadline for council action.

The council is expected to begin the debate between 10 and 15 February, following its North Africa debate scheduled for 8 February. A vote is then expected within five days.

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The chances are still better than even that the council will approve the accords without an amendment requiring their return to the assembly for a second reading.

The final vote in the West German Bundestag is expected during the debate scheduled for 24-26 February. Bundesrat action will probably begin in mid-March. Both houses are expected to vote favorably on the agreements.

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## NEW COMMUNIST ATTACKS ON TACHENS EXPECTED

The Chinese Communists appear to be preparing for further offensive operations in the Tachens area in the immediate future (see map, p. 8).

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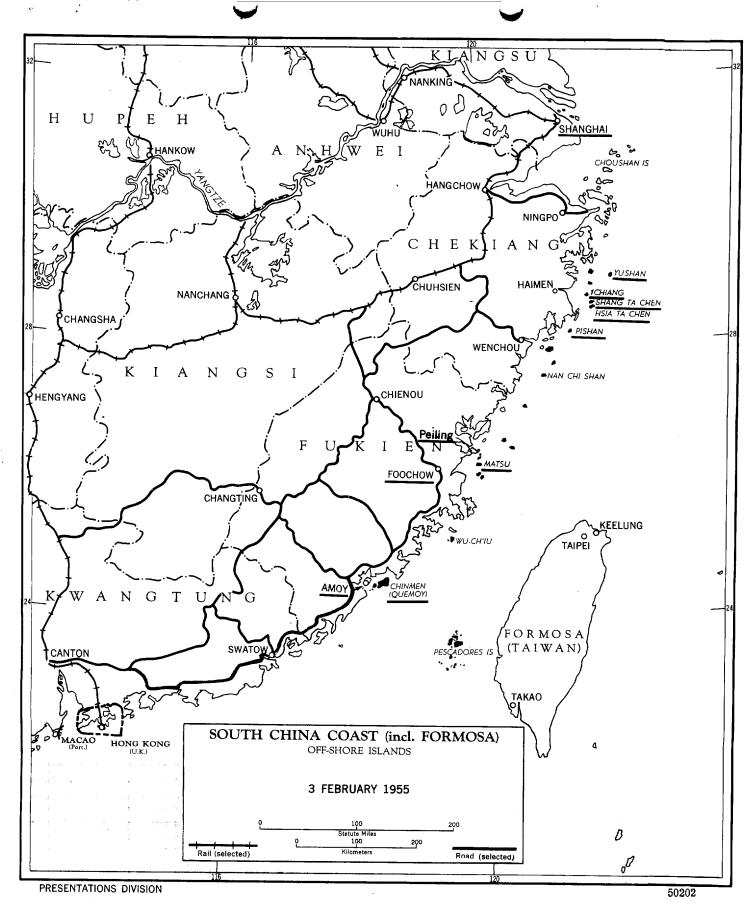
Chiang Kai-shek on 31 January is reported to have halted preparations for a withdrawal of the Tachen garrison despite urging by Admiral Stump that the evacuation be carried out. At the same time Chiang is said to have demanded "ironclad guarantees" for American assistance in the defense of Matsu, Quemoy and other offshore islands.

The delay in withdrawing the Tachen garrison, and the press accounts explaining it, could prompt Peiping to step up its attacks on the Tachens, and possibly to move quickly against other Nationalistheld islands as well.

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# PEIPING LIKELY TO TAKE HARD LINE ON CEASE-FIRE

Both the public and private statements of Chinese Communist leaders during the past week have left an opening for Peiping to attend the United Nations' debate on the offshore islands. These statements have strongly suggested, however, that if Peiping's representatives do attend, they are likely to refuse to agree to a cease-fire and instead to demand that the United States withdraw from the China area.

Speculation continues that the Chinese Communists might agree to a de facto if not a de jure cease-fire in exchange for some combination of concessions relating to such matters as control of the smaller offshore islands and the question of China's seat or seats in the United Nations.

Chou En-lai told British chargé Trevelyan on 28 January, however, that Peiping would not agree to any bargain over the islands, and that China's seat in the UN is Peiping's right.

It is conceivable that the Chinese Communists would be more receptive to a negotiated settlement through secret talks, in which Indian and other officials have expressed a willingness to mediate. It is doubtful, however, that Peiping is prepared to modify its position at this time, even privately.

### NEW ARAB-ISRAELI DISORDERS PROBABLE

Egypt's execution of two of the condemned Zionist spies on 31 January will probably induce the moderate Sharett government to yield to popular clamor for retaliatory measures against Egypt which might also involve other Arab states.

An intemperate Israeli press campaign is likely to result, as well as a strong international campaign aimed at discrediting and embarrassing the Nasr regime in Egypt.

Border incidents may be anticipated but war is not likely unless Egypt relaxes its controls on the frontier.

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#### PART II

Americans Held in Communist China: UN secretary general Hammarskjold is reported to believe that the Chinese Communists, for reasons of face, cannot afford to release the imprisoned American airmen to either the United States or the United Nations but could easily give them up to "a doting wife or a tearful mother." This explanation of Chou En-lai's offer of 21 January may well be correct.

The language of Chou's invitation did not restrict the offer to the relatives of the 11 airmen and two civilians of the "spy" case and the four fighter pilots. Peiping may at any time point out that the offer extends to the relatives of some or perhaps all of the 40 other Americans the Chinese Communists admit holding. These 40 include 26 civilians believed to be in jail, three under house arrest, and 11 unable to get exit permits.

The Afro-Asian Conference: The agenda of the Afro-Asian conference is to be drawn up by the participating countries after the meeting is convened and a unanimous vote will be required to put any item on the agenda.

The sponsoring powers probably adopted this procedure to assure the largest possible turnout and possibly to thwart an anticipated Chinese Communist effort to dominate the meeting.

One Indonesian spokesman, however, has indicated that the agenda would include three main points—the extension of security and world peace, "discussion" of assistance to colonial areas, and consideration of economic matters in general. These

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are in line with the publicly declared purposes of the conference and lend themselves to Chinese Communist exploitation.

Meanwhile, a number of such strongly pro-Western states as Turkey, Thailand and the Philippines have indicated an inclination to attend.

This development has been greeted by an Indonesian press report that the United States was encouraging its friends to participate out of fear that Communist China would otherwise gain political advantages. The neutralist press heretofore has held that the United States was discouraging attendance for the same reason.

Japan-Orbit Relations: Moscow has confirmed the official nature of the approach for the normalization of Japanese-Soviet relations made by the unofficial Soviet mission in Tokyo to Prime Minister Hatoyama on 25 January.

Meanwhile, Hatoyama has called for a Soviet declaration terminating the state of war. He will make a courtesy reply to the Soviet note, and has scheduled a cabinet meeting on 4 February to decide official policy on the approach.

There are growing indications of a split in the Japanese government over tactics in meeting the Soviet overture.

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Hatoyama is likely to push for immediate negotiations and appears able to carry a majority of his government and party on the issue, despite opposition from Foreign Minister Shigemitsu and other advocates of a more cautious policy.

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Iran: A political crisis is rapidly building up in Iran as a result of intense bickering and maneuvering between the supporters and opponents of Prime Minister Zahedi.

The cabinet is split, with the ministers of foreign affairs, finance, and justice supporting Zahedi's bitter opponent, Abdol Hassan Ebtehaj, director of the Seven-Year Plan Organization. The military establishment under Chief of Staff Batmangelitch is strongly pro-Shah and largely anti-Zahedi.

Among the candidates to succeed Zahedi are Minister of Court Ala; the chancellor of the university, Senator Eqbal; and Generals Arfa and Kia.

The Shah, in control of the sources of power, has long considered removing Zahedi, who is being charged increasingly with incompetency and dishonesty. A new prime minister in Iran can thus be anticipated soon after the Shah's return.

Syria: Ambassador Moose in Damascus reports increasingly open friction between the coalition members of the present Syrian government.

Premier Khuri has repeatedly insisted that he will resign by 21 March. Among those ambitious to take over is Khalid al Azm, an opportunistic politician who is maneuvering to form a new coalition which would include the leftist Arab Socialist Party.

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French North Africa: Terrorism in French
North Africa has given way temporarily to an
atmosphere of anxious expectancy as to the results of
the French National Assembly debate which began on 2
February on the Mendes-France government's policies
toward Tunisia and Algeria. Despite a report to
the contrary, Mendes-France has not revamped
France's Moroccan policy.

French settler organizations in all three areas are exerting considerable pressure on the National Assembly in an effort to protect their present privileged status in North Africa.

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South Vietnam: The Viet Minh may submit a formal complaint to the International Control Commission within the next week concerning General Collins' mission.

A Canadian member of the ICC anticipates that the French will be charged with permitting the entry of US military personnel to train the Vietnamese army. A second charge would assert that French adherence to the Manila pact guarantee for South Vietnam is incompatible with Paris' commitments under the Geneva agreement.

Viet Minh charges of this nature would probably be submitted for their propaganda value rather than as a forerunner of concrete action. The Geneva terms do not specifically prohibit training activities by American personnel already on the scene, nor do they prohibit South Vietnam from being a passive recipient of protection under the Manila pact.

Laos: While a fresh outbreak of violence in northern Laos could occur at any time, the immediate prospects are for a period of uneasy peace.

Talks between the government and the Pathet Lao, which commenced on 20 January, were adjourned for a week on the 25th without an agreement having been reached on any major issue.

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As a result of this experience, Laotian government leaders have become increasingly skeptical of Communist assurances and disabused of the idea that political concessions will lead to a peaceful reintegration of the dissident forces into the national community.

For their part, however, the Pathet Lao leaders are utilizing the delay in a settlement to conduct their "creeping" de facto partition of the country.

Soviet Communist Party Meeting: The announcement on I February of the meeting of the Soviet Communist Party's central committee from 25 to 31 January said it was concerned with the livestock problem. More important issues, however, were probably discussed.

The meeting took place shortly after the regime had apparently reached a decision to reaffirm the emphasis on heavy industrial production and at a time when decisions connected with projected West German rearmament and the increasingly sensitive Formosa situation may have been reached. The recall to Moscow of a number of Soviet ambassadors supports the possibility that foreign policy was one of the subjects discussed.

The plenum was apparently timed to precede the Supreme Soviet session, called for 3 February, at which any shifts in policy may become evident.

Note: There are no significant new developments to report this week on the following situations:

Costa Rica-Nicaragua

Guatemala

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Panama

South Korea

Indonesia

Yugoslavia

Possible Schism in Egypt's RCC

"Liberation" of Formosa Plans

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